

Message Text

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C O N F I D E N T I A L STATE 237030

EXDIS

TOSEC 266

FOLLOWING SENT SECSTATE WASHDC INFO ABU DHABI ALGIERS CARACAS
DHAHRAN KUWAIT LONDON PARIS TOKYO FROM JIDDA 27 OCT 74:

QUOTE C O N F I D E N T I A L JIDDA 6225

EXDIS

E.O. 11652: GDS

TAGS: ENRG, SA, US

SUBJECT: SAUDI MISSION TO TEHRAN, KUWAIT AND ALGERIA

REF: A) JIDDA 6053; B) JIDDA 5964; C) LONDON 17965 (NOTAL)

D) JIDDA 5858

1. AHMED ZAKI YAMANI, SAUDI MINISTER OF PETROLEUM HAS TOLD ME OF PRINCE SAUD'S VISITS TO TEHRAN AND KUWAIT
 2. THE SHAH SAID THERE WAS MERIT IN THE SAUDI PROPOSAL BUT ASKED THAT HIS PLAN BE CONSIDERED, I.E., THE UNIFORM PRICE FOR OIL IN OPEC (WITH QUALITY AND TRANSPORTATION DIFFERENCES TAKEN INTO ACCOUNT). THIS NEW "SELLING PRICE"
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WOULD BE SUBSTANTIALLY LOWER THAN THE PRESENT POSTED

PRICE, AND WOULD BE SET TO GIVE THE OPEC GOVERNMENTS THE SAME INCOME AS THEY ARE GETTING TODAY. (THIS WOULD MEAN THAT THE SELLING PRICE WOULD BE AROUND \$9.70/BBL.) THE SHAH SAID IF THE SAUDIS WOULD AGREE TO THIS PROPOSAL HE (THE SHAH) WOULD AGREE TO FREEZE OIL PRICES FOR ONE YEAR. INCREASES IN OIL PRICES THEREAFTER WOULD BE TIED TO SOME WORLD INDEX FOR MANUFACTURED GOODS IMPORTED BY OPEC.

3. THE MAJOR OIL COMPANIES WHO NOW HAVE CONCESSIONS WOULD BE FORCED TO COMPETE WITH OTHER BUYERS FOR THE OIL, WOULD PAY THE SAME PRICE AS THE OTHER BUYERS WITH A POSSIBLE 5 CENT/BBL. DISCOUNT FOR THEIR SERVICES IN OPERATING THE OILFIELDS.

4. KUWAIT REJECTED THE SAUDI PLAN, SAID YAMANI, BUT MIGHT ACCEPT THE IRANIAN COUNTERPROPOSAL PROVIDED THE SELLING PRICE WERE AT OR NEAR THE PRESENT POSTED PRICE (I.E. A DOLLAR HIGHER THAN THE SHAH'S IDEA).

5. THE ALGERIANS, YAMANI SUSPECTED, WOULD TAKE A POSITION VERY CLOSE TO THAT OF KUWAIT. BOUMEDIENE HAD SENT A LETTER TO THE KING ON OIL MATTERS BUT YAMANI HAD NOT SEEN IT AND VERY LIKELY WOULDN'T UNTIL THE KING RETURNS FROM RABAT.

6. YAMANI SAID THE SHAH'S PROPOSAL WOULD BE TANTAMOUNT TO NATIONALIZATION. IT WOULD THEREFORE HAVE CONSIDERABLE APPEAL IN IRAN WHICH IS MOST CAPABLE OF ANY OPEC COUNTRY OF RUNNING ITS OWN OIL INDUSTRY OR IN KUWAIT WHERE RESERVES ARE WELL DEFINED AND PROSPECTS OF FINDING NEW OIL ARE CLOSE TO ZERO. BUT IT WOULD NOT BE SUITABLE IN SAUDI ARABIA WITH ITS LARGE RESERVES AND ITS EVEN LARGER POTENTIAL. SAUDI ARABIA WOULD NEED TO WORK OUT SOME PLAN FOR KEEPING THE MAJOR OIL COMPANIES IN SAUDI ARABIA HAPPY. (HE REPEATED HIS ACCUSATIONS THAT THE COMPANIES ARE SITTING BACK AND WAITING FOR THE AX TO FALL AND THAT SAUDI ARABIA WILL FOLLOW THE OTHER OPEC COUNTRIES IN THE GULF IF THE COMPANIES HAVE NOT RPT NOT WORKED OUT A NEW ARRANGEMENT WITH THE SAG
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BEFOREHAND. AKINS UNQUOTE INGERSOLL

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